



Revenue Sharing Overview

Revenue sharing programs make State payments to cities, villages, townships, and counties. In FY 2022-23, the appropriations for revenue sharing programs are contained in Public Act 166 of 2022, Article V, within the Department of Treasury appropriation units for revenue sharing and one-time appropriations.

Revenue sharing programs are either constitutional or nonconstitutional. The Michigan Constitution requires that 15.0% of sales tax collections from the sales tax levied at a 4.0% rate be paid to cities, villages, and townships (CVTs) on a per capita basis. Nonconstitutional revenue sharing consists of programs which provide formula distributions to eligible local governments and a grant program. The nonconstitutional programs which make formula distributions in FY 2022-23 to eligible local units consist of City, Village, and Township Revenue Sharing; Supplemental City, Village, and Township Revenue Sharing; County Revenue Sharing; the County Incentive Program; and Supplemental County Revenue Sharing. Financially Distressed Cities, Villages, and Townships is a grant program funded for its ninth year in FY 2022-23. The revenue sharing programs are discussed briefly below.

Constitutional Revenue Sharing. The Michigan Constitution requires that 15.0% of the sale tax revenue received from the sales tax levied at a 4.0% rate be paid to CVTs on a per capita basis. Constitutional revenue sharing is the largest revenue sharing program, with estimated spending of \$1,036.6 million in FY 2022-23 based on the May 2022 consensus revenue estimates. Actual payments are based on actual sales tax collections.

Revenue Sharing for Cities, Villages, and Townships. The budget includes \$282.2 million in FY 2022-23 to fund this program for CVTs. Eligible CVTs are those that either received at least \$1,000 in statutory revenue sharing in FY 2009-10 or have a revenue sharing population of more than 7,500. For CVTs that meet those eligibility criteria, the payment is 106.0% of the amount of statutory revenue sharing received in FY 2021-22 or a payment of \$3.43942 per capita.

To receive a payment, an eligible CVT must certify to the Department of Treasury that the CVT has satisfied accountability and transparency requirements established in budget bill boilerplate. The formula and requirements for this program are described in budget bill boilerplate (PA 166 of 2022, Article V, Sec. 952).

County Revenue Sharing and County Incentive Program. Revenue sharing payments to counties are made through two line items: County Revenue Sharing and the County Incentive Program. The total of payments from these two programs will pay 113.05% of the statutory payments calculated for eligible counties in FY 2022-23. In order for an eligible county to receive the full amount for which it is eligible, a county must comply with the accountability and transparency requirements for the County Incentive Program which are established in boilerplate.

A county that is eligible for State-paid revenue sharing is one that has completed withdrawals from its county revenue sharing reserve fund. The local revenue sharing reserve funds were established in 2005 by a one-time acceleration of county property tax collections. Each county was able to withdraw a specific amount from its revenue sharing reserve account in lieu of State-paid revenue sharing, until its revenue sharing reserve fund was exhausted. In FY 2022-23, all counties

are eligible for State-paid revenue sharing. Revenue sharing appropriations for these programs total \$245.8 million in FY 2022-23. This consists of \$202.3 million for County Revenue Sharing and \$43.5 million for the County Incentive Program.

Financially Distressed Cities, Villages, or Townships. This program provides \$2.5 million in FY 2022-23 for grants to CVTs that show signs of probable fiscal distress as determined by the Department of Treasury. The grants are for projects that move an eligible CVT toward financial stability. The projects are developed with cooperation between the local government and Treasury for projects to reduce unfunded accrued liabilities, the cost of transitioning to shared services, and maintenance of critical infrastructure owned or operated by a CVT. Grants are limited to \$2.0 million per local unit.

Table 1 summarizes the revenue sharing appropriations for FY 2021-22 and FY 2022-23. Table 2 shows the use of one-time funds for revenue sharing appropriations in FY 2022-23. Constitutional revenue sharing is estimated based on the May 2022 consensus revenue estimates. Actual constitutional revenue sharing payments will be based on actual revenue collections.

Table 1

Revenue Sharing Initial Appropriations for FY 2022-23				
	FY 2021-22 Year-to-Date	FY 2022-23 P.A. 166 of 2022	Difference	Percent Change
Constitutional ¹⁾	\$1,048,457,800	\$1,036,594,900	(\$11,862,900)	(1.1%)
CVT Revenue Sharing	266,245,100	282,219,900	15,974,800	6.0
County Revenue Sharing	188,097,900	202,318,200	14,220,300	7.5
County Incentive Program	43,418,800	43,488,100	69,300	0.1
Financially Distressed CVTs	2,500,000	2,500,000	0	0.0
TOTAL	\$1,548,719,600	\$1,567,121,100	\$18,401,500	1.1%

¹⁾ Constitutional revenue sharing payments are based on the May 2022 consensus revenue estimates.

Source: Senate Fiscal Agency and May 2022 consensus revenue estimates.

Table 2

Revenue Sharing Fund Sources FY 2022-23 Initial Appropriations			
	Ongoing	One-time	Total
Constitutional ¹⁾	\$1,036,594,900	\$0	\$1,036,594,900
CVT Revenue Sharing	279,557,400	2,662,500	282,219,900
County Revenue Sharing	199,999,300	0	202,318,200
County Incentive Program	43,488,100	2,318,900	43,488,100
Financially Distressed CVTs	2,500,000	0	2,500,000
TOTAL	\$1,562,139,700	\$4,981,400	\$1,567,121,100

¹⁾ Constitutional revenue sharing estimates are based on the May 2022 consensus revenue estimates.

Source: Senate Fiscal Agency and May 2022 consensus revenue estimates.